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SOUTHWEST GAS CORPORATION RECEIVED

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December 8, 2011

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Docket Control Office
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2996

Subject: Docket No. G-01551A-10-0458
Southwest Gas Corporation - General Rate Case

Southwest Gas Corporation hereby submits an original and 13 copies of its Comments in Response to the Staff Memorandum and Proposed Order in the above-referenced proceeding.

Should you have any questions, please do not hesitate to contact me at (702) 876-7163.

Respectfully submitted,

Debra S. Gallo

By *[Signature]*

Debra S. Gallo, Director
Government & State Regulatory Affairs

Arizona Corporation Commission

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[Signature]

BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Southwest Gas Corporation's Application for
Approval of an Energy Efficiency and
Renewable Energy Resource Technology
Portfolio Implementation Plan

Docket No.: G-01551-A-10-0458

**COMMENTS OF SOUTHWEST GAS CORPORATION
IN RESPONSE TO THE STAFF MEMORANDUM AND PROPOSED ORDER**

Southwest Gas Corporation respectfully submits to the Arizona Corporation Commission for consideration the following comments pertaining to the September 30, 2011 Staff Memorandum and Proposed Decision on the company's Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan:

I.

BRIEF BACKGROUND

On November 12, 2010, Southwest Gas Corporation filed with the Arizona Corporation Commission an application for an increase in rates for service provided in Arizona. Included as part of the rate case filing was Southwest Gas' Arizona Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan ("EE and RET Plan").

Southwest Gas' currently approved portfolio budget for EE and RET is approximately \$4.4 million and Southwest Gas anticipates that it will spend approximately \$2 million this year on EE programs. As part of the rate case settlement, and as noted in paragraph 5.8 of the Settlement Agreement (July 15, 2011), Southwest Gas agreed to provide supplemental EE information in support of a modified EE and RET Plan resulting in "an incremental improvement of EE that exceeds the current Southwest Gas approved portfolio budget of \$4.4

1 million, and that results in customer annual energy savings of at least 1,250,000 therms within
2 nine months of Commission approval of the modified Plan.” This modified EE and RET Plan
3 will result in an increase in the portfolio budget from approximately \$4.4 million to \$8.3
4 million, and could result in increasing the rate per therm surcharge from the existing \$0.00200
5 per therm to approximately \$0.01417 per therm, or an average monthly bill impact of \$0.35.

6 II.

7 CONSUMER PRODUCTS

8 On April 7, 2011, the Company received approval for its Residential Energy-Efficient
9 Consumer Products Financing Program (Financing Program) (Decision No. 72256). Under the
10 Financing Program, Southwest Gas requested that customers have the opportunity to obtain
11 financing for Commission-approved demand side management measures included in the
12 Company’s “Consumer Products Program.” At the time this program was approved, the
13 Consumer Products Program consisted of storage and tankless water heaters, clothes washers,
14 clothes dryers, programmable thermostats and smart low-flow showerheads.

15 With Commission approval of the modified EE & RET Plan, Southwest Gas requests
16 that the Commission authorize it to update its Financing Program to include the new measures
17 that become approved as part of the modified EE & RET Plan and that are included in the
18 *Smarter Greener Better* Residential Rebates program.

19 III.

20 SOLAR THERMAL REBATES PROGRAM

21 Under its *Smarter Greener Better* Solar Thermal Rebates program, Southwest Gas is
22 requesting the OG-100 certified solar collectors that have been designed and approved by a
23 Professional Engineer (PE) be permitted for residential and small commercial applications.
24 While Staff’s discussion regarding the difference between an OG-100 and OG-300 certification
25 for solar collectors and solar thermal systems is correct, it has been the experience of
26 Southwest Gas in other jurisdictions that even though the OG-300 is an entire system designed
27 for a residential application, it does not mean that the OG-300 system fits all residential
28 applications. Examples include: 1) larger homes that require an increased system size, and 2)

1 complicated configurations where standard systems do not work and the systems are modified
2 to fit the homes. Southwest Gas therefore requests that the system qualifications for the
3 *Smarter Greener Better* Solar Thermal Rebates program be changed as follows:

4 **“OG-300 is preferred for residential and small commercial business**
5 **applications but an OG-100 collector may be acceptable if it is designed and**
6 **stamped by a professional engineer.”**

7 IV.

8 SETTLEMENT AGREEMENT

9 As part of the rate case settlement, Southwest Gas agreed to provide supplemental
10 information to Staff in support of a modified EE and RET Plan resulting in “an incremental
11 improvement of EE that exceeds the current Southwest Gas approved portfolio budget of \$4.4
12 million, and that results in customer annual energy savings of at least 1,250,000 therms within
13 nine months of Commission approval of the modified Plan.” It is Southwest Gas’
14 understanding that the Staff Memorandum and the Proposed Decision establishes a framework
15 to achieve this commitment.

16 First, page 5 of the Staff Memorandum states that “Staff’s analysis indicates that the
17 per-unit therm savings from the Tankless Water Heater measure are likely to be higher than
18 initially estimated by the Company....Based on the revised savings for this measure, if
19 projected levels meet expectations, therm savings for the overall modified EE and RET Plan
20 would increase to over 1.3 million therms.” In consultation with Staff, Staff believes the
21 information provided by Southwest Gas underestimates the per unit therm savings associated
22 with the Tankless Water Heater measure and that the estimated savings should be increased by
23 76,320. Southwest Gas does not oppose Staff’s recommendation regarding the additional
24 estimated therms attributed to the Tankless Water Heater measure. Accordingly, use of Staff’s
25 estimated therm savings results in an incremental improvement of EE savings of 1,251,320
26 therms – more than the 1,250,000 therm commitment set forth in the Settlement Agreement.

27 Second, the Settlement Agreement requires “incremental improvement of EE that
28 exceeds the current Southwest Gas approved portfolio budget of \$4.4 million, and that results

1 in customer annual energy savings of at least 1,250,000 therms within nine months of
2 Commission approval of the modified Plan.” As contemplated by the Energy Efficiency rules,
3 energy savings consists of therms and therm equivalents. Accordingly, when therm
4 equivalents are considered as part of the proposed decision, it results in energy savings of an
5 additional 409,203 therms for a total energy savings of 1,660,523 therms.

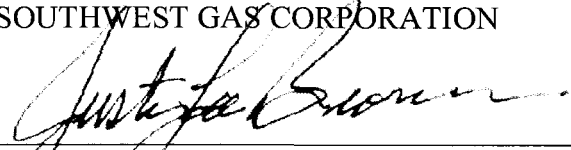
6 Finally, to the extent the Commission disagrees with either of these two points,
7 Southwest Gas is not opposed to increasing the participation level estimates in the *Smarter*
8 *Greener Better* Custom Business Rebates Program as proposed by Southwest Energy
9 Efficiency Project and National Resource Defense Council in order to demonstrate the
10 additional estimated savings necessary to comply with the terms of the Settlement Agreement.
11 Southwest Gas believes it would require increasing the estimated participation levels from 4 to
12 10; increasing the budget by \$60,000 from \$100,000 to \$160,000, resulting in a corresponding
13 increase in the estimated savings of 80,820 therms.

14 CONCLUSION

15 Based upon the foregoing, Southwest Gas respectfully requests that the Commission
16 approve the Proposed Decision.

17 Respectfully submitted this 8th of December 2011.

18
19 SOUTHWEST GAS CORPORATION

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1 ORIGINAL and 13 COPIES of the
2 foregoing filed this 8th day of
3 December 2011 to:

4 Docketing Supervisor
5 Docket Control
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9 COPIES of the foregoing
10 served by email/mail
11 this 8th day of December 2011 on:

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